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ACTION ARA-01

INFO LOG-00 ACDA-13 AID-01 AMAD-01 CEA-01 CEQ-01 CIAE-00
COME-00 CTME-00 DINT-05 DODE-00 DOEE-00 ITCE-00 DPR-01
EB-01 EXME-00 EXIM-06 E-01 FRB-01 H-01 INRE-00
INR-01 ITC-01 JUSE-00 LAB-04 L-03 ADS-00 NSAE-00
NSCE-00 OES-09 OMB-01 OPIC-08 PM-01 PRS-01 SNP-01
SP-01 SS-01 STRE-00 STR-20 TRSE-00 USIE-00 EPAE-00
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R 062222Z DEC 91
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6687

UNCLAS SECTION 01 OF 02 CARACAS 12960

DEPT PASS TO DOE FOR THAD GRUNDY AND GEORGE HELLAND
DEPT PASS TO USTR FOR RALPH IVES AND D. EISS

E.O. 12356: N/A
TAGS: EPET, ENRG, IINV, ETRD, EFIN, VE
SUBJ: GOV SPENDING CURS AND THEIR EFFECT ON PDVSA

1. F IS AN EDITORIAL WHICH APPEARED IN THE
CARACAS DAILY JOURNAL OF 12/03/91. EMBASSY IS TRANS-
MITTING IT IN ITS ENTIRETY FOR WASHINGTON'S INFORMATION
BECAUSE IT INDICATES HOW HEATED THE DEBATE OVER PDVSA
SPENDING CURS HAS BECOME, AND HOW STRONG IS THE CONCERN
AMONG CERTAIN ELEMENTS OF THE PUBLIC ABOUT THE POS-
SIBLE, LONG-TERM IMPACT OF THE CURS ON THE VENEZUELAN
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ECONOMY.

2. BEGIN QUOTE:

LEAVE THE GOOSE ALONE

IN INDIA, COWS ARE SACRED. IN VENEZUELA WHAT SHO
BE REVERED AND RESPECTED IS THE GOOSE, THAT IS THE
GOOSE THAT LAYS THE GOLDEN EGG, WHICH IS REALLY BLACK
GOLD OR PETROLEUM.

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INSTEAD, PETROLEOS DE VENEZUELA, S.A. AND THE PETROLEUM INDUSTRY IS UNDER A STATE OF SIEGE BY THE POLITICIANS AND THE GOVERNMENT.

AS DENOUNCED LAST WEEK BY PETROLEUM CHAMBER VICE PRESIDENT ALAN VIERGUTZ, THE GOVERNMENT IS PUTTING THE ECONOMIC SQUEEZE ON PDVSA TO THE POINT THAT IT HAS NO FUNDS TO PAY ITS CONTRACTORS, PARTICULARLY IN THE MARACAIBO AREA, AND IN TURN, CONTRACTORS CANNOT PAY FIELD WORKERS WHO ARE ABOUT TO WALK OUT.

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MORE THAN LIKELY THE ENERGY AND MINES MINISTRY IS MAKING LITTLE OR NO EFFORT TO DEFEND PDVSA'S FINANCIAL DIFFICULTIES AND ITS TRADITIONAL AUTONOMY, BUT WE BELIEVE IT IS REALLY THE CABINET AS A WHOLE THAT IS RESPONSIBLE FOR THE INCREASED INTERFERENCE AND FOR DEPRIVING PDVSA OF MORE FUNDS.

THIS IS BEING ACCOMPLISHED BY CUTTING DOWN PDVSA'S BUDGET AND FAILING TO KEEP THE VERBAL PROMISE THAT
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PDVSA WOULD BENEFIT FROM A GRADUAL DECREASE OF THE EXPORT VALUE TAX FROM 20 PERCENT TO ZERO OVER A PERIOD OF FOUR YEARS.

SO OUR GREAT PETROLEUM H COMPANY, THE SAME ONE WE BRAG OF AS BEING ONE OF THE LARGEST AND MORE ADVANCED PETROLEUM ENTERPRISES IN THE WORLD, IS BEING WEAKENED TO THE POINT THAT INSTEAD OF EXPANDING, IT IS STARTING TO SHRINK.

THE GOVERNMENT SHO BEAR IN MIND THAT 80 PERCENT OF THE FUNDS CONSUMED BY PDVSA ARE NECESSARY JUST TO MAINTAIN THE INDUSTRY AT ITS PRESENT PRODUCTION LEVEL AND THAT THE NATION'S PRODUCTION CAPACITY SUFFERS A NATURAL EROSION OF 20 PERCENT EVERY YEAR.

IF PDVSA IS SHORT-CHANGED, FAR FROM BOOSTING OUR PRODUCTION TO THE DAILY 3.5 MILLION BARRELS GOAL THE ENERGY AND MINES MINISTRY IS SEEKING, AND FAR FROM TAKING ADVANTAGE OF A POSSIBLE OPEC EXPORT QUOTA INCREASE, WE ARE HURTING VITAL OIL INDUSTRY CONTRACTORS, OUR CHANCE OF EXPANSION AND FINALLY THE NATION'S ECONOMY.

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WE HAVE BEEN TOLD THAT IT IS THE ENERGY AND MINES
MINISTRY THAT IS APPLYING THE SQUEEZE AS 'ANOTHER
PUNISHMENT' AGAINST 'REBEL' PDVSA IN YET ANOTHER ROUND
OF THE CHILDISH FEUD THAT HAS BEEN GOING ON SINCE
ANDRES SOSA PIETRI WAS NAMED PDVSA PRESIDENT.

IF THAT IS TRUE - WHICH WOULD MEAN PRESIDENT CARLOS
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ANDRES PEREZ IS ON THE ENERGY AND MINES MINISTRY'S
SIDE - WHY DOESN'T HE SIMPLY DISMISS AND REPLACE SOSA
PIETRI - BUT RESTORE THE FREEDOM OF ACTION THAT PDVSA
DESERVEDLY NEEDS WITHOUT HURTING THE OIL INDUSTRY?

-
WE CHOOSE TO BELIEVE, INSTEAD, THAT IT IS SIMPLY A
GROSS OVERSIGHT OF THE PEREZ ADMINISTRATION.

IN THESE DAYS OF UNREST AND SOCIAL TURBULENCE, WE HAVE
HEARD A LOT OF EXAGGERATED RUMORS TOPPED BY THE
SPECULATION OF AN IMMINENT COUP.

DEMOCRACY IN VENEZUELA NEEDS A CONSIDERABLE FACELIFT,
BUT IT IS HERE TO STAY. WHAT IS IN DANGER HERE IS NOT

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THE DEMOCRATIC SYSTEM, BUT THE PETROLEUM INDUSTRY AND
THE NATION'S ECONOMY, WHICH, IF NOT ALLOWED TO FULLY
RECOVER, WILL RESULT IN REAL SOCIAL UNREST.
END QUOTE SKOL

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